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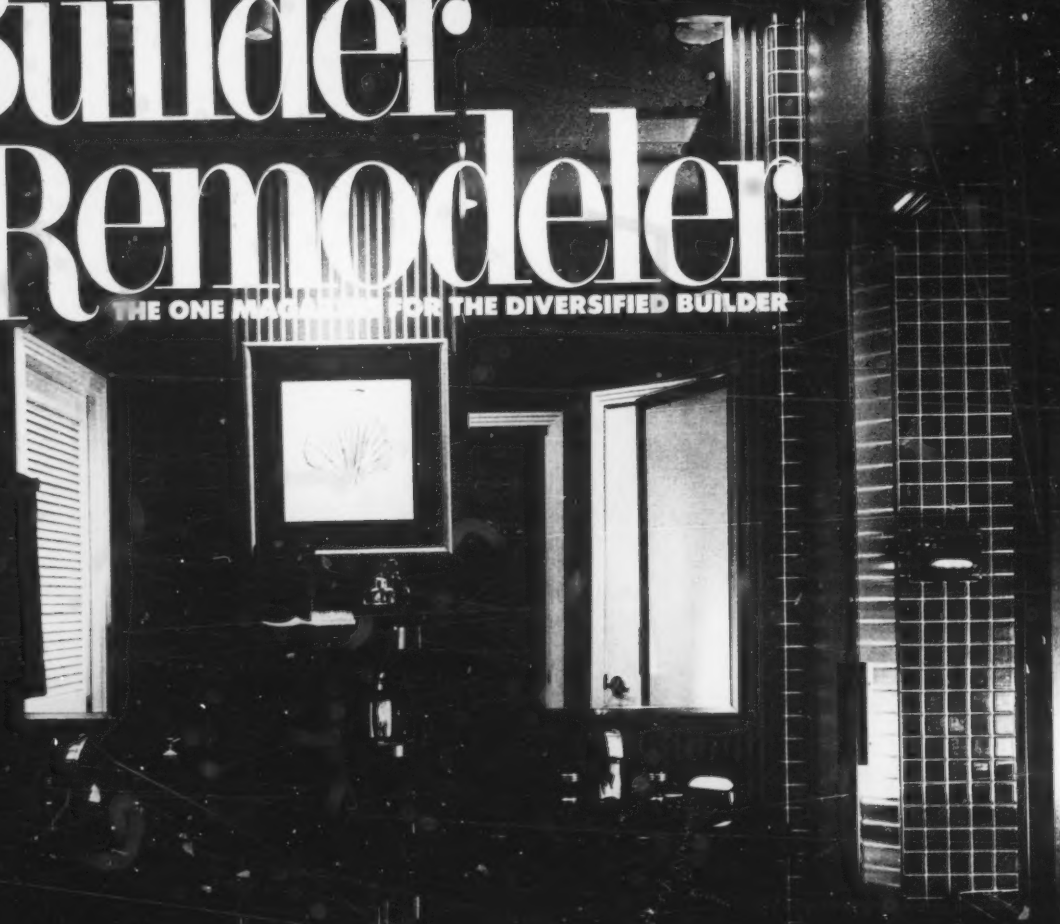

FEBRUARY 15, 1991

GOURMET KITCHENS & POWER BATHS

Designs That Are Fun As Well As Functional . . . 56

1991 Home Builders Show Highlights . . . 12

How Remodelers Can Avoid Bidding Wars . . . 31

Drought-Resistant Landscaping Ideas . . . 83

Innovative House Plans Available . . . 107

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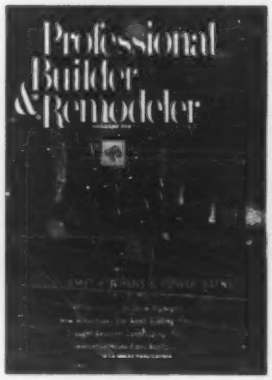

On The Cover

■ This bath in Austin, Texas, was given a distinctive—almost Art Deco—look by remodeler Joe Campbell. The project took seven months and cost $10,000. Photography by Greg Hursley.

A kitchen fit for a gourmet: p.56.

Remodeling comes of age: p. 66.

FEATURES

Gourmet Kitchens & Power Baths 56

Remodeling can do wonders for wet rooms. These projects offer ideas and special touches for discriminating homeowners, transforming mundane places into dream spaces.

Let America Build Part VI: Affordable Remodeling 66

The creeping hand of regulation is reaching into remodeling. Increased approval times, zoning woes, hidden fees and odd codes may not prevent contractors from conducting business, but they clearly make remodeling a costlier investment.

Small Additions, Big Changes 72

How a simple breezeway addition and modest kitchen addon dramatically changed the floorplan in two upscale homes.

Xeriscaping, an environmental plus: p. 83.

New products for the bath: p. 92.

DEPARTMENTS

Editorial: Remodeling's Outlook. . . 9

Real Estate Dynamics: News & Views. . . 38

Remodeling: Keeping Loans Operating. . . 40

Product Showcase: New Items. . . 92

House Plans. . . 107

Advertisers Index. . . 127

Indicators: Uptick ahead?. . . 129

Reader Service Card. . . 131

Business

■ Our complete coverage of the NAHB Show includes a look at the new Fannie Mae AD&C financing program, and details on a proposed remodelers' lead-dust study. Coverage beings on *page 12*.

Markets

■ MaryMark Homes is replicating the stately Porte Cochere home and meeting with great success: *p. 25*.

Management

■ How does a remodeler build good rapport and establish trust with a customer? Experts say an ethical approach is a must: *p. 31*.

Marketing

■ The J. Duncan Brock Builder company is broadening its market reach and enhancing its image by using an in-house magazine: *p. 47*.

Technology

■ Xeriscaping is an alternative to traditional landscaping that offers a solution for areas hard hit by water shortages. Savings up to 30% have been achieved, in fact: *p. 83*.

Next Issue

■ In the March 1 issue, we feature the housing starts leaders for the year, and examine the politics of no-growth movements.

■ REAL ESTATE DYNAMICS

Key Survival Tips Motivate The Small Builder

Sanford R. Goodkin, Executive Director, KPMG Peat Marwick/ Goodkin Real Estate Consulting Group

Here is my survival check list for the smaller builder who means to survive.

1. Talk with key personnel away from the office. If you have a spouse, put aside your ego and include them in the discussions. Partners need to be trusted with all that is happening in the business.

2. Take all salespeople, or the outside brokers who are assigned to you, and their manager to a retreat. Ask them to come up with ideas for: sales promotion, the sales office layout, sales tools and product; anything that can be changed fast.

3. Have a professional look at your fiscal health. Let them look at operating statements, costs and cost control, land/home ratios, draws and profits, wages and incentives, plus overhead. Have them prepare a written report so that you can see where you are, what you have. Then you can sit down with a trusted adviser and make plans for the future. The plan should cover: staying in business, merging with another entity, gaining more capital and venture money.

Survival is more than turning over merchandise. It is like a good marriage; the fire in the heart never dies.

4. Take a serious look at your marketplace. Review what you have built and done the past three years. Get your building and sales history on a spreadsheet. Do not kid yourself. This is the time for a complete checkup.

5. Get out into the marketplace. Look at product, including what is for sale in the resale market—your true competition. Ask a reliable broker to show you resales over the past year that are roughly comparable with your normal pricing. Examine them with a written checklist. Compare them room-for-room with yours. See what you can learn. Check on how they got financed.

6. Look at product evolution. What designs have sold? How important was pricing, design? Have you been behaving like an artist or a builder? Have you designed for the market or yourself? Get someone with intuitive, feminine judgment to look things over, also. If you aren't using one now, have an architect review your current and future designs.

7. Now, you are ready for a management plan that lays out your next operating year. Get it in writing. Concentrate on it. What does it teach you about yourself, your product, your marketplace?

Reality is the absolute focus on how the marketplace is treating you and what key people think of your working environment.

The truth may be painful, but it is the only thing that will make you really good.

Survival is more than turning over merchandise. It is like a good marriage; the fire in the heart never dies.

Rigorous Cost Controls Advised

Stating that workers' compensation costs have doubled in the last five years, Jerry Miccolis, head of Tillinghast's workers compensation, says employers must impose rigorous controls.

Tillinghast, a New York City-based consulting company, surveyed companies nationwide. General contractor respondents noted that their major problem with the system related to attorney involvement in claims, and the widening definition of injuries. The top cost-controls being considered included safety, programs, claims audits and pre-employment screening. □

Contractors Poll:

Could workers' comp costs threaten financial results?

A great deal	26%
Somewhat	53%
Not much	18%
Not at all	3%

Cardinal To Reorganize Under Chapter 11

Cardinal Industries, once the nation's second largest residential builder and the largest producer of modular housing units, is reorganizing under Chapter 11 of the U.S. Bankruptcy Code.

The Columbus, Ohio-based company is ceasing modular production and will focus on its property management operations and general partnership interests. □

AD INDEX

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Aqua Glass Corp.	128	58
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Broan Mfg. Company, Inc.	23	14
Caradco, An Alcoa Co.	8	7
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+CertainTeed Corp. (Roofing)	48a,g	53,58
Chicago Faucet Co.	46	24
Classified Advertisements	124-125	
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Creda	24	15
Dal-Tile	80-81	29
Florida Tile, Sikes Corp.	95	36
GAF Building Materials Corp.	26	4
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General Electric Co.	6-7	6
Gyp-Crete Corp.	104	46
Heatilator Inc., HON Industries	BC	52
Heat-N-Glo Fireplace Products, Inc.	27	16
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Italian Tile Center	90	34
Jenn-Air Corp.	30	18
KitchenAid	82	30
+Kitchen Distributors of America	98i,j	3,5
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Lennox Industries, Inc.	105	47
Libbey Owens Ford Co.	11	9
Louisiana-Pacific Corp. (Weatherseal)	99	49
Lutron Electronics Co., Inc.	IBC	51
Magic Chef Co.	48-49	25
Martin Industries	44-45	23
Marvin Windows	107-122	61-63
Merillat Industries, Inc.	50	55
Morgan Products Ltd.	96-97	38
National Exposition of Remodeling, Renovation & Restoration	54-55	28
Nat'l Floor Products Co., Inc. (NAFCO)	102	43
Overhead Door	22	13
Peachtree Doors, Inc.	52-53	27
+Peoples Energy	98f	57
Price Pfister Inc.	85	31
Professional Builder & Remodeler Magazine	123	
Qast	100	41
Raynor Garage Doors	36	20
Ryobi Corp.	106	48
S & S Mills, Inc.	33-35	19
Schlage Lock Co.	17-19	11
Spectus Systems Midwest	51	26
Superior Fireplace	2-3	2
Swirl Way	37	21
+Temple-Inland Forest Products Corp.	98c	54
UltraCraft	101	42
United States Gypsum Co.	86	32
Velux-America, Inc.	21	12
Weather Shield Mfg., Inc.	14-15	10
Wenco, Division of Jeld-Wen	39,41,43	75
Whirlpool Corporation	89	
York Spiral Stair	104	45

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INDICATORS

Signs At Year End Suggest We've Reached The Bottom

Following several consecutive months of new residential building activity pointing downward, things began to look up as 1990 drew to a close. November numbers for a host of important indicators were modestly better than in previous months, suggesting that new residential construction had finally troughed.

Total housing starts during November turned up for the first time in 10 months. It should be noted, however, that the good news here was tempered by the surprisingly sharp decline in single-family home construction, even as multifamily activity surged.

□ New one-family home sales increased in November for the first time in five months. At the same time, builder inventories of unsold homes continued to fall. During November, a 7.8 months supply of homes were for sale—the lowest level recorded since early last spring.

□ Existing home sales bounced back during November, following a few months of extremely sharp decline.

□ Mortgage interest rates have fallen steadily in recent months, and the Federal Reserve has finally moved decisively to ensure that credit will be more affordable to both businesses and consumers during this economic downturn.

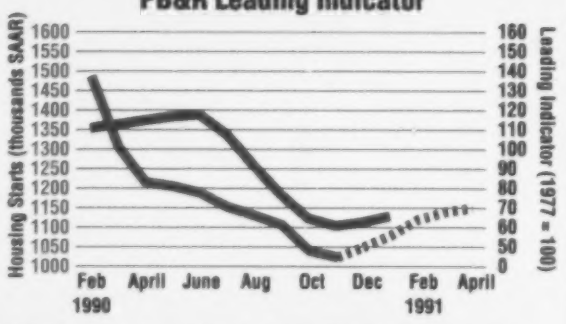
These are all positive developments for the housing market. The important "wild card" for the housing market—and for the U.S. economy in general—remains how and when the crisis in the Middle East is resolved. □

Regional 'Pockets Of Strength' Out There

National data, by its very nature mask the differences between regions and metropolitan areas around the country. The construction industry depends upon local economic conditions, demographic and population trends, and other factors which 'average out' nationally.

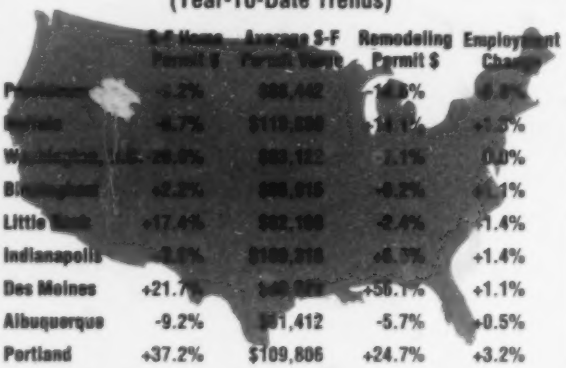
'Pockets of strength' include some of the metropolitan areas included in the accompanying table. During a period in which double-digit declines are being recorded, three of the nine areas in this month's table have actually recorded double-digit gains. Portland, Des Moines and Little Rock clearly have residential markets much healthier than the national norm, and two of these areas have also recorded large gains in the value of remodeling permits. □

PB&R Leading Indicator



Broken line denotes forecast. Leading Indicator of Housing predicts short-term changes in residential construction over approximately the next quarter. Latest figure is based on February data and includes the Standard and Poor's 6-b stock index, 90 day T-bills, bank reserves, consumer confidence index and the ratio of homes for sale to those sold. Prepared exclusively for PB&R by Cahners Economics.

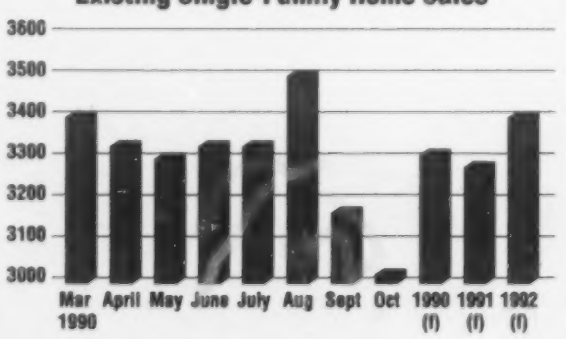
Regional Market Conditions
(Year-To-Date Trends)



	1-F Home Permit $	Average 1-F Permit Value	Remodeling Permit $	Employment Change
[illegible]	-3.2%	$86,442	-14.8%	-0.8%
[illegible]	-6.7%	$119,036	-14.1%	+1.3%
[illegible]	-26.0%	$83,122	-1.1%	0.0%
[illegible]	+2.2%	$86,915	-0.2%	+1.1%
Little Rock	+17.4%	$82,199	-2.4%	+1.4%
Indianapolis	-3.0%	$109,318	+6.7%	+1.4%
Des Moines	+21.7%	[illegible]	+56.1%	+1.1%
Albuquerque	-9.2%	$91,412	-5.7%	+0.5%
Portland	+37.2%	$109,806	+24.7%	+3.2%

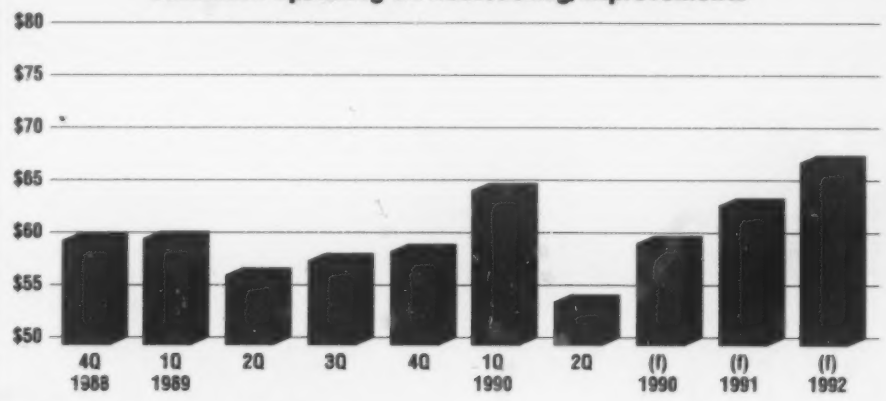
Sources: U.S. Departments of Commerce and Labor.

Existing Single-Family Home Sales



Data reflects seasonally adjusted annualized rates, in thousands.
Source: National Association of Realtors. Forecast by Cahners Economics.

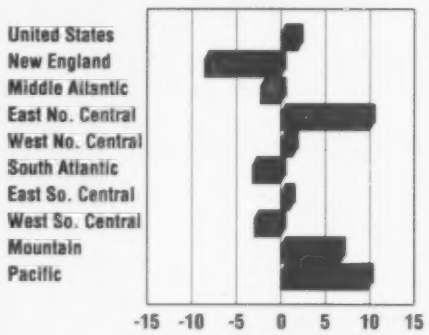
Consumer Spending On Remodeling/Improvements



Data reflects seasonally adjusted annual rates, in billions of $.
Source: Department of Commerce. Forecast by Cahners Economics.

Remodeling Permit Value Trends

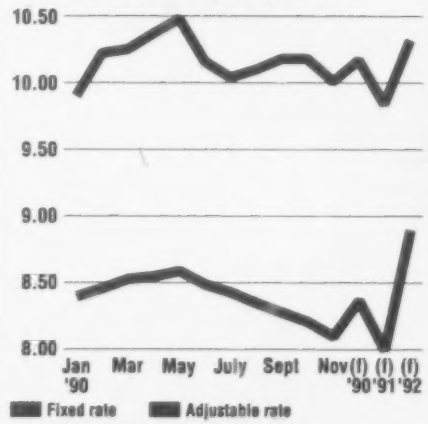
(Year-To-Date 1990 vs. 1989)



Source: U.S. Department of Commerce.

Mortgage Interest Rates

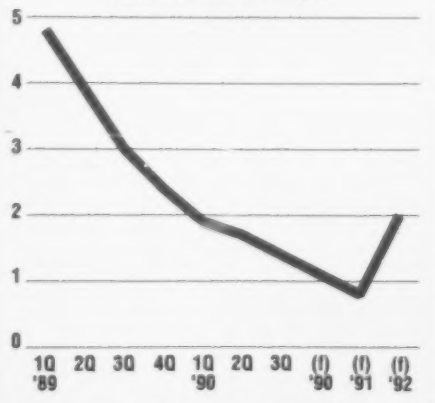
(Monthly Average)



Source: Federal Home Loan Mortgage Corp.
Forecast by Cahners Economics.

Growth In Real Disposable Personal Income

(Over-The-Year % Change)



Source: U.S. Department of Commerce. Forecast by Cahners Economics.

Key Trends At A Glance

	Oct 1990	Feb 1989
Total housing starts*	1041	1488
New home sales*	503	606
Remodeling permit trend	+2.2%	+5.2%
Consumer confidence index**	62.6	105.7
Median price of new home***	$115.0	$126.9
Fixed-rate mortgages	10.18%	10.22%
Construction wage trend	+2.0%	+3.2%

* Seasonally adjusted annual rate, in thousands.
** 1985 = 100.
*** In thousands.

Declines Accelerate In Light Commercial Construction

As we see the first glimmering signs of improvement in residential construction, light commercial construction activity continues its relentless slide downward. Overall nonresidential building activity held up during 1990—only because of continued gains in industrial construction spending and a variety of publicly funded projects. Commercial construction—office buildings, hotels/motels, and retail/service establishments—was a different story.

The total value of commercial construction put-in-place during 1990 was about 10% below the 1989 level, after accounting for inflation. Particularly disturbing was the trend—over-the-year declines grew progressively larger during the final months of 1990. Indications were that the office sector had troughed, however, both the hotel and retail sectors were in virtual free-fall as 1990 wound down.

We expect that improvement in the light commercial sectors will be a long time coming. Problems of overcapacity persist and the "credit crunch" has hit this group much harder than others. With a turnaround in business and consumer confidence likely later this year, and at least small gains in service sector employment continuing even in the face of recession, the office sector should be the first to stabilize and move haltingly ahead. □

By Daryl Delano, Cahners Economics